



Border Conference on the U.S.-Mexico Competitiveness Agenda

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AND PROSPERITY IN THE AMERICAS



SUMMARY

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EXECUTIVE SUMMARY

On February 14, 2013, the Council of the Americas and the Institute of the Americas hosted a Border Conference on the U.S.-Mexico Competitiveness Agenda. It marked the second meeting of the Council of the Americas Border Initiative, launched in Laredo, Texas, in August 2012, with the objective of fostering a public-private dialogue on improving management of the U.S.-Mexico border and on deepening cooperation on a joint competitiveness agenda. The February conference, which took place at the University of California, San Diego, was organized with the Institute of the Americas and focused on the economic opportunities in the U.S.-Mexico bilateral relationship.

San Diego Mayor Bob Filner delivered opening remarks, emphasizing the need for the city to “realize the potential, culturally and economically,” of living in the mega-region of San Diego and Tijuana. Panel discussions centered on the reform agenda in Mexico and on key cross-border business sectors.

The panelists referenced the potential for Mexican domestic as well as bi-national growth as a result of the undertaking of much-needed reforms in Mexico and how such reforms open the door for increased bi-national cooperation. While assessing the context of cross-border business, panelists uniformly praised Tijuana’s world-class workforce. Dave Hester, President of Kyocera Mexico, remarked that it would have been difficult for his company to be as globally competitive as it is today without being able to leverage the advantages of working on both sides of the border. The ability of Mexican maquiladoras to maintain quality while working efficiently was cited as an explanation of North America’s ability to remain competitive with Asian manufacturing.

The speakers agreed that in order to continue on this prosperous path, it is imperative for policymakers on both sides of the border to work together and to market the competitiveness of a North American, rather than a solely U.S. or Mexican, economic region. They also urged policymakers to consider that any discussion of border security is incomplete without addressing the negative toll that wait times, which Mayor Filner labeled “bordering on criminal,” take on the region’s economy.

WELCOME AND INTRODUCTORY REMARKS

- Ambassador John Negroponte, Chairman, Council of the Americas
- Ambassador Charles Shapiro, President, Institute of the Americas
- Bob Filner, Mayor of San Diego

In welcome remarks, Ambassadors Shapiro and Negroponte focused on the need to re-imagine perceptions of the border region between the United States and Mexico. Ambassador Shapiro emphasized the common interest that business leaders, policy makers, and private citizens alike have in making the border region a dynamic, exciting region to do business in the 21st century, stating that the discussion is intended to develop ideas on how to make “our part of North America more competitive, with jobs that we want and the prosperity that we want, regardless of which side of the border that we live on.”

Ambassador Negroponte called on business leaders in the United States to rethink their perceptions of the border region as being solely the realm of violence, drugs, and security issues. Instead, he called attention to Mexico’s growing economic



COA Chairman Ambassador John Negroponte • IOA President Ambassador Charles Shapiro • Mayor of San Diego Bob Filner

strength and the optimism surrounding the U.S. recovery as a unique opportunity for investment and the creation of wealth and opportunity on both sides of the border.

In his introductory remarks, Mayor Bob Filner of San Diego described cross-border cooperation as a priority for his administration, touting the opening of a San Diego municipal office on the Mexican side of the border and a direct phone line between his office and that of the mayor of Tijuana as a way to improve communication between the two municipalities. The mayor cited common interests like cross-border business relation-

ships, border

integration and infrastructure, bi-national environmental concerns, and cultural issues as opportunities for such cooperation. Beyond the city-to-city relationship, Mayor Filner discussed at length the need to decrease waiting times to cross the U.S.-Mexico border. The mayor stated that the border region should be a highlight of California, not the state's cul-de-sac, and that in order for the bi-national region to truly flourish, there needs to be greater ease-of-mobility between the two countries, commenting: "How do you sell the mega-region to either investors or tourists if you can't get across the border? We should be able to market this from a business and travel perspective." In working to achieve these goals, Mayor Filner sees his role, in addition to managing the city of San Diego, as an ambassador in his own right, striving to work toward greater connection between Mexico and the United States.

PRINCIPAL TAKE-AWAYS:

- We must rethink perceptions of the U.S.-Mexico bi-national border region. The region should be seen as having the potential for increasing North American competitiveness and economic dynamism.
- Cross-border relationships should be cultivated on a variety of issues and concerns, including business, infrastructure, the environment, and cultural affairs.
- An important step forward toward these goals is to establish an efficient and secure way to swiftly cross the U.S.-Mexico border.

PANEL DISCUSSION: THE REFORM AGENDA IN MEXICO

- Juan Carlos Baker, Director General for North America, Mexican Ministry of Economy
- Ambassador Sergio Ley, Asia-Pacific Chair of COMCE and former Mexican Ambassador to China
- Arnulfo Valdivia, President of the Institute of Mexicans Abroad
- Moderator: Eric Farnsworth, Vice President, Council of the Americas

The election of reform-minded President Enrique Peña Nieto in Mexico, coupled with greater pressure on the Obama Administration and the U.S. Congress to address a variety of U.S.-Mexican concerns, presents a unique opportunity for expanded bi-national cooperation and engagement. Juan Carlos Baker, Ambassador Sergio Ley, and Arnulfo Valdivia spoke on the Mexican reform agenda and how the new government's push for change could impact commercial cooperation along the U.S.-Mexico Border and the competitiveness of our North American economic region.

With the successful passage of both education and labor reform in the past few months, all eyes are turned toward the long-awaited fiscal and energy reforms. Increased private-sector participation in the national petroleum industry and a reorganization of the country's tax code would be welcomed by the private sector and are viewed by both Baker and Ambassador Ley as crucial for Mexico moving forward if the country wishes to remain a competitive emerging economy in the first half of the 21st century.

All three speakers emphasized the need for the United States and Mexico to improve management of the border between the two

countries, particularly regarding wait times. Baker stated that “the border should be the point where two countries meet, not the line that divides Mexico and the United States.” According to all three panelists, the difficulties associated with crossing the U.S.-Mexico border hamper the competitiveness of not only the United States or Mexico but the region as a whole. Ambassador Ley stated plainly that if the two countries could effectively integrate their common border, North America could become the most competitive region in the world. However, Baker emphasized that border integration cannot be resolved independently of business interests and that the private sector must have an influential role in any reform.

Valdivia discussed comprehensive immigration reform in the United States. He cited the large Mexican-American population within the United States as an asset for North American competitiveness generally, praising the community’s role as a huge economic, linguistic, and cultural bridge between the two countries. By enabling this population to travel more freely between the U.S. and Mexico, Valdivia believes that North America could become an even more competitive region within the context of the global economy.

Baker and Ley also discussed the need for Mexico to take advantage of the Trans-Pacific Partnership and its desire to be included (with Canada) in the proposed free-trade negotiations between the United States and the European Union. Mexico is already known for its extensive membership in trade agreements and its commitment to liberal trade policy. However, both of these agreements would be significant in making the Mexican economy more competitive and bringing Mexico’s products to an increasingly large international market.

PRINCIPAL TAKE-AWAYS:

- Business leaders should keep an eye on the fiscal and energy reforms that will be debated in the Mexican Congress later this year.
- Easing travel times along the U.S.-Mexico border is vital to North American competitiveness.
- In addition, Mexico realizes the need to participate in both the U.S.-European trade talks and the Trans-Pacific Partnership. Mexico’s inclusion in transatlantic negotiations makes sense given the high level of economic integration of North American economies, and the potential for increased investment and expanded access to goods and services that would benefit Mexico, the United States, and the European Union alike.

PANEL DISCUSSION: KEY CROSS-BORDER BUSINESS SECTORS

- Chris Anderson, CEO, 3D Robotics
- Eduardo Salcedo, Senior Vice President, DJO Mexico
- Dave Hester, President, Kyocera Mexico
- Moderator: Ambassador Charles Shapiro, President, Institute of the Americas

The second panel discussed the benefits of cross-border operations in the San Diego-Tijuana bi-national mega-region. Eduardo Salcedo, Chris Anderson, and Dave Hester emphasized ways in which their companies have become more globally competitive due to their strategic collaboration, leveraging the advantages of both sides of the border. All three speakers agreed that companies greatly benefit from collaborating with Tijuana due to strategic proximity, short supply chains, and the efficiency of



Ambassador Sergio Ley • Mexican Ministry of Economy Director General for North America Juan Carlos Baker • Institute of Mexicans Abroad President Arnulfo Valdivia Machuca • COA Vice President Eric Farnsworth

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the work force in Mexico.

Chris Anderson, CEO of 3D Robotics, accentuated the importance of collaborating with Mexico in order to increase global competitiveness. He articulated several factors that persuaded him to take the manufacturing segment of his company to Mexico, such as superiority in innovation due to short supply chains, the pool of well-trained individuals in world-class manufacturing techniques, the talent of Mexican workers, and the benefits of the proximity to San Diego. He expressed strong disapproval of the impediments to trade between the U.S. and Mexico caused by the slow flow of both passenger and cargo traffic at the border.

Eduardo Salcedo, Senior Vice President of Operations for DJO Mexico, spoke of the collaboration between San Diego and Tijuana as a prime example of two countries

working together for prosperity and success. DJO Global has grown to become one of the leaders in rehabilitation products, greatly due to the benefits of working with the San Diego-Tijuana mega-region. DJO Orthopedics currently has a bi-national team; its corporate offices are located in San Diego and the manufacturing of its products is done in Tijuana. The strategic proximity of Tijuana allows individuals in San Diego to work shoulder to shoulder with engineers in Tijuana and to maintain continuous communication among all sectors of the company. Salcedo selected Tijuana for manufacturing purposes because the lead time from concept to market results in an extremely efficient system of production. He described Tijuana as a “cluster of a wide diversity of technologies.” Beyond the technical benefits, he asserted that the efficiency and adaptability of the work force in Mexico is a key element that has enhanced the competitive advantage of his company.

All three panelists addressed the importance of improving infrastructure to ameliorate obstacles to U.S.-Mexico trade flows. Hester invited the audience and speakers to find ways to make the border more efficient and effective. Anderson supported this idea, proposing an initiative to portray Mexico as more than drug cartels and immigrants. The three speakers unanimously highlighted the beneficial economic potential of increasing collaboration with Mexico. However, there needs to be an evolution of the perception of Mexico as a productive ally rather than a dangerous threat in order for this bi-national collaboration to reach its full potential.

PRINCIPAL TAKE-AWAYS:

- Cross-border collaboration with Mexico results in company growth as well as an increase in profitability due to strategic proximity, short supply chains, and the efficiency of the work force in Mexico. Numerous business leaders in Mexico and the United States have benefited from bi-national collaborations. However, congestion at the border and absence of effective infrastructure prevent these collaborations from reaching their full potential.
- It is imperative to gestate a shift in the perception of Mexico in order to improve trade flows along the U.S.-Mexico border. The current approach to border management is hindering competitiveness while failing to guarantee security.
- A highly functional system of entrepreneurial collaboration between the United States and Mexico would result in increased global competitiveness to the benefit of both parties.



DJO Mexico Sr. Vice President Eduardo Salcedo • Kyocera Mexico President Dave Hester • 3D Robotics CEO Chris Anderson • IOA President Ambassador Charles Shapiro

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Charles Shapiro, former U.S. ambassador to Venezuela, leads the Institute. Our conferences bring together industry leaders, government officials and representatives of academia and civil society for frank and open discussion of the most important issues facing the nations of the Hemisphere - energy, trade, cross border issues, freedom of the press and dealing with the emerging Asian economic powers.

An impartial, independent non-profit organization, the Institute organizes conferences, business roundtables and professional training workshops at its facilities on the campus of the University of California, San Diego, as well as throughout Latin America, the Caribbean, Canada and the United States. The Institute is a leading catalyst for business and cultural exchange on the Pacific Coast and is an internationally respected think tank.

The Institute facilitates the exploration and debate of issues as varied as economic development, poverty reduction public health and community service. We are joined in our mission by experts, presidents and community members alike as they travel from across the globe to join the Institute in dialogue about the Hemisphere.



The Council of the Americas (COA) is the premier international business organization whose members share a common commitment to economic and social development, open markets, the rule of law and democracy throughout the hemisphere. The Council's membership consists of leading international companies representing a broad spectrum of sectors including banking and finance, consulting services, consumer products, energy and mining, manufacturing, media, technology, and transportation. Our geographic presence includes the United States: New York, Washington D.C. and Miami; Latin America: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico, Panama, Paraguay, Peru and Uruguay; and Canada.

We hold private, off-the-record meetings and roundtables, as well as public programs in New York, Miami, Washington and Latin America. Our private, off-the record meetings and roundtables allow our members to engage directly with high-ranking leaders from the public and private sectors. Our public programs include presentations by presidential economic advisors, noted economists, and government leaders, as well as panel discussions on hemispheric issues. Through these, we continue to solidify our standing as one of the preeminent forums for the discussion of hemispheric issues.